

Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 AID-05 IGA-01 EB-07 OPIC-06

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FM AMCONSUL TURIN

TO SECSTATE WASHDC 0452

INFO AMEMBASSY ROME

UNCLAS TURIN 0242

E.O. 11652: N.A.

TAGS: BPRO, BBSR, IT

SUBJ: FCIA CREDIT INSURANCE REQUEST FOR SALE OF RADIO
AND TV BROADCASTING EQUIPMENT TO INDESIT, S.P.A.

REF STATE 257100 AND ROME 17699

1. AMCONSULATE TURIN PERCEIVES NO REASON WHY EXIMBANK
SHOULD NOT CONSIDER SUBJECT REQUEST.

2. BACKGROUND INFORMATION FOLLOWS:

INDESIT (INDUSTRIA ELETTRODOMESTICI ITALIANA) IS ONE OF
THE LARGEST ITALIAN MANUFACTURERS OF HOUSEHOLD
REFRIGERATORS, WASHING AND DISHWASHING MACHINES,
ELECTRIC STOVES, AND TELEVISION SETS. ESTABLISHED IN
1956, IT PRESENTLY HAS A NOMINAL CAPITALIZATION OF
ABOUT 24 MILLION DOLLARS. IT IS THE ONLY LARGE
ENTERPRISE SPECIALIZING IN THE FIELD OF HOUSEHOLD
ELECTRICAL APPLIANCES IN ITALY WHICH HAS NO FOREIGN
FINANCIAL CONTROLS. INDESIT IS ALSO ONE OF THE FEW
ITALIAN CONCERNS WHICH, IN THE CONTEXT OF THE CURRENT
GENERAL ECONOMIC CRISIS IN THIS COUNTRY, CONTINUES TO
PLAN AND EFFECT AMBITIOUS EXPANSION PROGRAMS. IN ITS
ANNUAL REPORT FOR 1973 THE MANAGEMENT DISCLOSED A
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CONSIDERABLE DECLINE IN PROFITS (FROM ABOUT 725,000

DOLLARS IN THE PREVIOUS YEAR TO 425,000 DOLLARS) BUT, AT THE SAME TIME, IT REVEALED THAT ABOUT 6 MILLION DOLLARS WERE ASSIGNED TO ROUTINE AMORTIZATION, ABOUT 9.5 MILLION DOLLARS TO IMMOBILIZED CAPITAL IN THE BANK, AND THAT ITS CREDITS IN BANKS HAVE REACHED THE VERY HIGH CEILING OF ABOUT 80 MILLION DOLLARS.

INDESIT OWNS SEVEN ESTABLISHMENTS (EMPLOYING 6,000 WORKERS ALTOGETHER) AT NONE AND ORBASSANO, ON THE OUTSKIRTS OF TURIN. EACH ESTABLISHMENT IS STAFFED WITH APPROXIMATELY 1,500 EMPLOYEES, AND SPECIALIZES IN A SINGLE PRODUCT. SINCE 1971 THE COMPANY HAS BEEN INVESTING HEAVILY IN UNDERDEVELOPED SOUTHERN ITALY TO TAKE ADVANTAGE OF THE VARIOUS ATTRACTIVE INCENTIVES OFFERED BY THE ITALIAN GOVERNMENT. THREE PLANTS (EMPLOYING 2,000 WORKERS) HAVE ALREADY BEEN COMPLETED AT AVERSA (CASERTA PROVINCE) WHILE FIVE OTHER ESTABLISHMENTS, REQUIRING ABOUT 60 MILLION DOLLARS IN CAPITAL OUTLAYS, ARE SCHEDULED TO BE COMPLETED IN THAT SAME AREA BY THE END OF 1975.

AT PRESENT, ONE OF THE NEW PLANTS IN THE SOUTH CURRENTLY TURNS OUT 1,700 WASHING MACHINES DAILY, ANOTHER PLANT 1,500 REFRIGERATORS, AND ANOTHER PLANT 1,000 PORTABLE TELEVISION SETS. THE COMPANY IS PLANNING TO INVEST AN ADDITIONAL 4.5 MILLION DOLLARS IN A NEW ESTABLISHMENT AT NONE (TURIN PROVINCE) FOR FABRICATION OF COLOR TELEVISION SETS. INCLUDING THIS NEW PLANT, INDESIT'S TOTAL LABOR FORCE WILL BE APPROXIMATELY 9,000 BY THE END OF 1975.

INDESIT PRODUCTS ARE NOT ONLY SOLD SUCCESSFULLY IN ITALY BUT ALSO IN 76 FOREIGN COUNTRIES THROUGH AN EFFICIENT SALES NETWORK. FRANCE, GREAT BRITAIN, AND THE MIDDLE EAST COUNTRIES ARE ITS PRINCIPAL EXPORT MARKETS AND, ALONG WITH ITALY, ABSORB TWO THIRDS OF ITS ENTIRE ANNUAL OUTPUT OF OVER 1.5 MILLION UNITS.

INDESIT HAS RECENTLY UNDERTAKEN A THOROUGH REORGANIZATION OF ITS PRODUCTIVE FACILITIES WITH A VIEW TO EXPANDING THOSE SECTORS WITH MORE PROMISING FUTURES AND INVOLVING HIGH TECHNOLOGICAL INPUTS (COLOR TELEVISION SETS, PICTURE TUBES, TRANSISTORS, TAPE RECORDERS, TIMERS, THERMOSTATS, UNCLASSIFIED

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FREEZERS, ETC.) AND, ON THE OTHER SIDE, TO SLOWING DOWN FABRICATION OF WASHING MACHINES AND REFRIGERATORS WHICH REQUIRE LESS SOPHISTICATED TECHNOLOGY TO PRODUCE AND ARE INDEED BEING PRODUCED BY LESS INDUSTRIALIZED COUNTRIES. THIS CHANGEOVER BROUGHT ABOUT INEVITABLE REDUCTIONS OF WORK HOURS AND, CONSEQUENTLY, HARSH REACTIONS BY THE LABOR UNIONS. THE LATTER CHARGED THE MANAGEMENT WITH RESORTING TO SHORTER WORKWEEKS NOT SO MUCH BECAUSE OF MARKETING

DIFFICULTIES, BUT ONLY TO EXERT PRESSURE TO OBTAIN AN EARLY ADVANCE OF THE 60-BILLION-LIRE (90 MILLION DOLLARS) LOAN AT 4% INTEREST PROMISED BY THE ITALIAN GOVERNMENT. THIS LOAN IS TO BE GIVEN FOR THE COMPANY'S INITIATIVES IN HELPING TO INDUSTRIALIZE SOUTHERN ITALY AS WELL AS FOR THE REVAMPING OF ITS MANUFACTURING STRUCTURES. HOWEVER, LABOR CONDITIONS HAVE RECENTLY RETURNED TO NORMAL. THE MAIN GOAL OF THE FIRM'S PRESENT STRATEGY OF CONCENTRATING ITS EFFORTS ON COLORED TELEVISION SETS IS TO GAIN A SUBSTANTIAL SHARE OF THE DOMESTIC MARKET ONCE ITALY DECIDES ON A NATIONAL COLOR SYSTEM. THIS DECISION SHOULD COME SHORTLY.

INDESIT IS UNDERSTOOD TO HAVE A SOUND FINANCIAL BASIS AND TO HAVE ALWAYS MERITED FAVORABLE COMMENTS BY ALL TRADE SOURCES. IT IS UNIFORMLY REPORTED TO BE DIRECTED BY HIGHLY-SKILLED AND CONSCIENTIOUS PROFESSIONALS. CHAIRMAN ADELCHI CANDELLERO (BORN 1894), A GRADUATE ENGINEER, MAINTAINS CONTROLS IN OTHER LARGE LOCAL INDUSTRIAL COMPANIES.

WITH ALLOWANCE FOR INDESIT'S BASIC REORGANIZATION WHICH IS UNDERWAY, AND CONSIDERING THE FINANCIAL IMPLICATION OF THAT REORGANIZATION, THE FIRM'S LEADING POSITION IN ITS LINE IN ITALY AND THE EXCELLENT REPUTATION OF ITS OWNERS AND MANAGERS VOUCH FOR ITS RELIABILITY AND SUITABILITY FOR TRANSACTIONS WITH U.S. COMPANIES. LANIUS

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